



**Thought Leader**  
by Randall Rothenberg

**R**obert B. Reich is one of America's most prominent public intellectuals — and among its most controversial. Like former French minister of culture Jacques Lang, Mr. Reich (pronounced “raish”) has seesawed between writing about policy — in influential journals such as *The New Republic*, and in several top-selling books — and actually making policy, most recently as secretary of labor in the first Clinton Administration. Mr. Reich, a Dartmouth graduate who later earned a law degree at Yale, first met Bill Clinton in 1968, when the two were Rhodes scholars at Oxford University.

Unlike many politically attuned scholars, however, Mr. Reich, 54, has never trimmed his words to suit the powerful. Rather, he has generated debate at least since the early 1980s, when his first two books, *Minding America's Business* (coauthored with Ira Magaziner, who later spearheaded President Clinton's health-care reform effort) and *The Next American Frontier*, made an authoritative case for a U.S. industrial policy to rationalize myriad government interventions into the economy.

Photograph by John Mader

## Robert B. Reich: The Thought Leader Interview

In this “Age of the Terrific Deal,” says the former secretary of labor, innovation is king, but insecurity reigns.

Mr. Reich's recommendations were derided by critics on the left and the right — the latter saw industrial policy as a form of central government planning, the former as a way to further the deindustrialization of America in favor of newly rising sectors. In light of a multitrillion-dollar New Economy founded on the government intervention called the Internet, Mr. Reich's views today seem prescient.

Those books also introduced Mr. Reich's overarching concern: for human capital policies that would ease the ability of the economy and the people who comprise it to transition into new, productive, and fulfilling work. Indeed, the 1991 book in which he laid out an integrated economic framework built around education, training, and other public investments, *The Work of Nations*, was the blueprint by which President Clinton ran his first campaign for the presidency.

Mr. Reich's newest book, *The Future of Success*, which will be published by Alfred A. Knopf in January, picks up on this enduring theme. The New Economy, he writes, values "creative workers" over all others, for only they can supply the continual innovation the economy and its enterprises

demand. But in an unusual turn to the personal — inspired, no doubt, by his decision to leave the Cabinet to spend more time with his family — Mr. Reich points out that this economy also places new kinds of burdens on men, women, and children of all classes. "You and I and almost all Americans are beneficiaries of the new economy," writes Mr. Reich, who is now a university professor and the Maurice Hexter Professor of Social and Economic Policy at Brandeis University's Heller Graduate School. "...But we are also losing parts of our lives to the new economy — aspects of our family lives, our friendships, our communities, ourselves."

In its exploration of both the upside and the liabilities of our new affluence, *The Future of Success* is reminiscent of John Kenneth Galbraith's *The Affluent Society*, which influenced social and economic policy in the Kennedy and Johnson administrations. Not coincidentally, Mr. Galbraith lives only a few blocks from the handsome home in Cambridge, Mass., that Mr. Reich shares with his wife, the legal scholar Clare Dalton and, when they are home from school, their two teenage sons.

It was on the back deck of that house, over bagels and coffee, that

*strategy+business* caught up with Robert Reich.

**S+B:** Unlike most public intellectuals, you have always been deeply interested in the organization, in the workplace, in management. *The Future of Success* is like your past works, in that it's at least two books in one: a policy manifesto, and a management handbook. Where did your interest in management derive from?

**REICH:** I think that it's difficult to talk about large questions of economics or social policy without understanding the building blocks of society. And those building blocks are organizations, the people who run them, and the people who work in them. That's been a central concern of my intellectual life for 30 years. It comes from several sources. I started in the law; and the study of law, when it precedes the study of economics, gives you a set of foundation principles about how human beings interact. Economics is very useful, and I studied economics in graduate school. But without understanding the social and organizational context of economics, it becomes a theory without any groundwork.

Also, my father was a small businessman. He had some clothing

# “The ability for consumers to choose more broadly and to switch more easily is now the central fact of modern economic life.”

shops. My formative years were at his store and trying to understand his business.

**S+B:** Your earlier works, such as *Minding America's Business* and *The Work of Nations*, focused on the intersection of policy and management. *The Future of Success*, though, is a much more personal work, one that looks at the individual choices men, women, and families face in the booming New Economy. What prompted this turn?

**REICH:** Circumstances have changed. When I was writing in the '70s and through the '80s, the American economy was going through a very difficult transition. Everyone was talking about the loss of competitiveness. Productivity gains in the '70s and even in most of the '80s were minimal. The questions I tried to address then were why, what's going on, and what could be done. And naturally — maybe not so naturally — I tended to focus on the failure of management and the failure of organizations to fully utilize their human resources.

But, now we're in a very different economy. Throughout the late 1980s and 1990s American management started to do the right things. There was extraordinary investment in

technology. The dominant questions now are less how to do it better, how to manage better, how to make the economy better, than how to have fuller and more meaningful lives. Because the irony is, now that we've come through this great transition, even though our organizations and our people are extraordinarily productive, many feel that the nonwork side of life is very thin. Today, for good or ill, people are thinking about many social problems from the standpoint of their own kitchen tables. I think the way to begin a conversation with people about what's going on is to address their daily experiences, and what their fears and frustrations, as well as their exhilarations, are. And it's through that window that I hope to ignite a larger conversation.

**S+B:** Your optimism about the economy and people's roles in it contrasts with worrying trends you were seeing in the early '80s. Back then, you saw a society rewarding what you called paper entrepreneurs, lawyers and financiers who manipulated wealth, instead of creating it. Later, you began to see this segment in a different light, labeling some of them “symbolic analysts.” In this book you

talk about creative workers, and see them as the bedrock of the New Economy. Can you trace that evolution for me?

**REICH:** My writings in the early '80s expressed some exasperation with the degree to which we, as a society, were spending our resources, time, and our human capital rearranging the slices of the pie rather than baking a bigger pie. I reserved some of my harshest criticisms for paper entrepreneurs, people who were not adding to the productive core of the nation. By the late '80s and early '90s, I began to see a slightly different picture. Many of these people were engaged in a different kind of productive work. I call them symbolic analysts because I wanted to distinguish their work from a routine production work, while at the same time recognizing that their work was contributing to productivity growth. Did my thinking change, or did the economy begin to change? Maybe some of both. New, productivity-enhancing technologies were beginning to come on the screen, and these were clearly the product of a lot of analytic thinking. And companies were just starting to become much more competitive by utilizing symbolic, analytic thought. We had a productivity revolution.

# “The better we do as consumers and investors, the harder we have to work as sellers and producers. One follows from the other.”

**S+B:** You think it's that profound?

**REICH:** I think it's that profound. I think that we are going to see very high levels of productivity gains and economic growth. Alan Greenspan just said, the day before yesterday, that he thought that we could sustain 4 percent growth a year without inflation. That's revolutionary. You're talking about an economy that will be almost half again as large as it is now in just 10 years. It makes the current debate over cutting budgets look almost irrelevant.

## The Age of the Terrific Deal

**S+B:** Is it all a function of technology?

**REICH:** No. Technology enables consumers and investors to have extraordinary choice and ease of switching, which, in turn, stimulates much fiercer competition than ever before, which, in turn, makes it imperative for every institution to innovate like mad.

That innovation is powering our economy these days, and it requires companies to find and utilize creative workers. That's the most important syllogism going; technology is embedded in that syllogism, but it's not as if we're seeing these productivity gains because of the technology.

**S+B:** In fact, you call this current era not the New Economy or the Digital Era, but “The Age of the Terrific Deal.” Can you parse that phrase for us?

**REICH:** The central and most important aspect of this economy is that consumers and investors have a far broader array of choices than ever before, and they can switch far more easily with better information to even better deals.

And it's just beginning. I, from the luxury of my laptop computer, can summon extraordinary bargains on everything I want, and I can also move my savings anywhere. This ability to choose more broadly and to switch more easily is the central fact of modern economic life.

**S+B:** It sounds like a harbinger of the life of leisure futurists used to predict routinely.

**REICH:** It's almost as if we have two lobes in our brain. There's the consumer and investor mode, and we're doing better and better at that lobe. But at the producer and seller mode, we have to work harder and harder. And the better we do as consumers and investors — the easier it is for us to choose something better, to exit every commercial relationship — the harder we have to work as sellers and

producers. One follows from the other.

**S+B:** This Age of the Terrific Deal has put a new emphasis on branding.

**REICH:** Given that ever-broadening array of options and alternatives, as consumers and investors, we are often bewildered. We need guidance.

That's where today's brands come in. They are not so much signals about a particular product, they are signals about good judgment, trustworthiness. A big brand, whether it's Schwab or Disney, is becoming analogous to a portal that sells us advice about where we can find great deals. Disney is no longer just Mickey Mouse; Disney is family entertainment. And we're seeing more and more brands change into something that is far greater and broader than individual products and services.

**S+B:** What's different about that?

**REICH:** In the 20th century, clearly, brands did sustain distribution oligopolies, and those oligopolies sustained brands. The existence of a high-volume, stable, mass-production economy was the centerpiece of business strategy. In that economy, the predictability of your consumer base was very important. A brand

that could sustain that consumer base and reduce competition down to two or three other major competitors and stabilize the entire market was the prerequisite for gaining economies of scale. But we're now moving toward a radically different economy. You absolutely can't have a distribution oligopoly. The new oligopolies — and I think there will be new oligopolies — will be oligopolies of trustworthiness. Microsoft, Amazon, Schwab, and other brands will dominate psychic space, not shelf space.

### The Rise of Brand Portals

**S+B:** How will they achieve that domination?

**REICH:** These brands are becoming portals — they become trustworthy guides to what's good. That doesn't require them to own all the components of their value chain. They can subcontract; they can forge partnerships; they can function as a catalog, a showroom. It doesn't really matter; it's fundamentally the same economic transactions. Disney becomes the trusted guide to family entertainment, and there are a vast number of groups that are actually supplying pieces of family entertainment, but they are relying on the Disney brand to get them to you and you to them.

**S+B:** Such relationships have long been the standard in the entertainment industry. Can they adhere in other sectors?

**REICH:** This is the direction of organizational evolution in many industries. You have very big, internationally acknowledged brands. There may not be very many people directly employed by that brand to sustain it. It's mainly a matter of quality control and marketing. And then you have large numbers of groups — small

businesses, essentially — getting paid on the basis of how much business they do, working with these giant brands.

**S+B:** Cisco is an example of this kind of allied enterprise. But in a sense, you can argue that Hollywood is actually the bellwether of this new economics.

**REICH:** I think that's absolutely right. Because, in entertainment, the technology began giving us greater choice and easier switching before almost any other area. The studios became much more dependent on the stars, not just star actors and directors but also star technicians, star cinematographers. It's a very important evolution in terms of understanding why people are working the way they're working.

There's a great debate going on, you know, on whether we're moving toward a system of giant oligopolies or a system of multiples of small businesses. Which is it? I think it's both, for the exact reason I stated. In every sector of the economy, we have giant brands that are trustworthy guides to what's good, and then a vast number of small groups, many of them project-based, sometimes folding and re-creating, that are offering products and services through those giant global brands. In other words, behind the Amazons, you've got a large group of people and companies that are using Amazon as their trust distribution system, but their cash flow doesn't depend on Amazon per se.

**S+B:** From a business standpoint, this can be pretty frightening. A distribution oligopoly is probably the best thing in the world that you can have for your business. Economies of trustworthiness, as you call it, are very transitory.

**REICH:** They are less tangible than other forms of market dominance, but I'm not sure they're that transitory. It's very hard to establish an economy of trustworthiness. Look at Barnes & Noble trying to get into Amazon's territory. The key is continuing to innovate and to keep your customers through innovation, because the customers can leave. But once you are a dominant player that continues to innovate and provide a good deal, customers will stay with you.

**S+B:** How many brand portals can there be in the world?

**REICH:** Not all that many. In any given category, maybe five to seven. In the new book, I speculate on the seven areas of insatiable demand. I could see seven big brand portals in each one of those areas.

### Geeks and Shrinks

**S+B:** Can't they consolidate even more?

**REICH:** I think it's hard to have a brand portal and an economy of trustworthiness in one of them that sloshes over into another. But saying that there will be only a limited number of these giant brand portals doesn't mean a limited number of

companies; it doesn't mean that everybody's going to be working for these companies. Quite the opposite. Most of us will be working through much smaller entities that simply use these portals as vehicles for getting and identifying customers.

**S+B:** Who runs this show? Who manages economies of trustworthiness in an outsourced economy?

**REICH:** It depends whether you're talking about big brands or the small entrepreneurial groups. They really are distinct.

The managers of the big brands have a very clear responsibility. It's attracting and keeping talented people in order to sustain and build the trustworthiness of that brand. There is no clearer objective in the economy. Your economic success depends on expanding and building your economies of trustworthiness.

**S+B:** So that requires you to make really great choices about whom you're doing contracts with?

**REICH:** That's right. If you're going to be a great guide to what's great for consumers, and, indirectly, for investors, you've got to be very careful about who you contract with and what you're offering.

**S+B:** What about managers of smaller enterprises?

**REICH:** Their task is very different. While they have to continuously recruit and keep great, talented people, they also need to be remarkably nimble. They are not thinking about keeping their institutions as institutions or as organizations. They may be linking up in a thousand ways with a thousand partners. The boundaries between their groups and other groups are almost insignificant. They want to build their reputations, and the reputations of the people around them, for excellence. I'm on the board of several dot-coms, and they're doing exactly that. They're constantly reassessing where they are, who they are, and they're looking at themselves and their little organizations in as many dimensions as they possibly can.

**S+B:** You label the key actors in this New Economy "geeks and shrinks." Can you explain those terms to me?

**REICH:** What characteristics are most important in creative workers? One quality you need is inventiveness. You need to be able to take whatever product or service you are providing and figure out ways of making it better, faster, cheaper.

The other quality is empathy and insight into what people might want, even though they don't even know their wants, probably because there's no product or service to test their wants. I labeled one the personality of a geek and the other the personality of a shrink, because I wanted people to understand in a shorthand way what these were all about. Now, inventiveness and empathy, those qualities, if they're together in the same person, you've got an entrepreneurial genius. But they do tend to be slightly separate.

### Leadership as Courtship

**S+B:** What are the implications of this taxonomy for corporate management?

**REICH:** More and more, leadership, whether it's profit or nonprofit, is about recruiting and keeping talented people. That's the biggest challenge. Yes, you've got to create systems that will enable people easily to innovate continuously; you've got to be a system-builder. But finding and keeping geeks and shrinks is the biggest challenge. That means leaders have got to be salespeople, they've got to be recruiters, and they've got to be actively able to understand and keep the talent they have. Leadership is courtship. That's what it's becoming.

It's also the courtship of capital, not just people. You've got to convince investors and analysts. In the not-for-profit sector, you've got to convince donors and foundations. You're a hustler. Yes, you probably have to be a visionary as well, but a visionary in order to be a better hustler. And I don't mean hustler in a pejorative way; you are trying to put the best people together with the best resources you can muster, and to keep them all together.

# “Brands will no longer be created by distribution oligopolies. New brands will be based on oligopolies of trustworthiness.”

**S+B:** What did your own years running the Department of Labor teach you about management and executive leadership that you didn't know before?

**REICH:** Well, I taught management at Harvard for 12 years, and at least I knew the theory. And I'd been in government before, so it wasn't entirely foreign to me. But running something as large as the Labor Department is obviously a terribly difficult, perhaps almost impossible task. One of the most difficult things is to get truthful people. Nobody can manage well if they don't have a lot of mirrors around them that are honest — that tell them what they're doing is wrong or wrongheaded or misconceived. And in every large bureaucracy on earth, most people are afraid to tell the boss the truth.

So as a top manager, you have to not just reward truth-telling, you've got to beg for it, and you've got to demand that everyone around you gives you constructive criticism, constantly. You've got to get out of the bubble, so that you can get direct feedback from everybody who's being affected.

And you have to keep a sense of humor about yourself, more than anything else. You've got to take the

issues very seriously, but you can't take yourself too seriously. And Washington is a city in which everybody takes themselves extraordinarily seriously.

**S+B:** Compare your vision of management in the New Economy to the vision of leadership sketched by Alfred Sloan in *My Life at General Motors*.

**REICH:** Completely different. The industrial leader of the 20th century was a system-builder. He was a visionary in terms of what could be built; got the capital together; certainly convinced investors that it was possible; and then ran a high-volume production system that would spew out a vast array of almost identical goods and services. They would be changed from time to time; there was research and development, to be sure. But the system was built around production, not innovation.

**S+B:** In the New Economy, Billy Durant would be a more successful leader of General Motors than Sloan.

**REICH:** Durant was closer to Joseph Schumpeter's idea of someone who could manage innovative, creative destruction. You know, Schumpeter died a disillusioned man, because he

thought all the ideas about innovation that he developed in the late 19th and early 20th centuries were being brushed aside by 20th-century management — this giant bureaucratic figure who was setting up all of these vast production systems and wasn't doing very much innovating. Schumpeter was a hundred years before his time. We are now seeing his vision take root in this New Economy.

**S+B:** Where lies the foundation of the company in all this?

**REICH:** We would be better off if we no longer talked about companies and talked instead about big brands and entrepreneurial teams, and just left it at that.

## The Individual in the New Economy

**S+B:** You've talked about the challenges managers face in recruiting and retaining talent. But what, exactly, is the role of that talented individual?

**REICH:** One logical consequence of this New Economy composed of big brands and entrepreneurial groups is that the unit of production is no longer a particular, identical product. The unit of production is the creative individual.

**S+B:** There's been a complete inversion in the relationship between the individual and the organization. It used to be that the organization conferred status and opportunity on the individual, but now the individual confers status and opportunity on the organization.

**REICH:** That's changed the trajectory of individual careers. The path to success used to be up and through an organization. Now the path to success is increasingly through self-promotion.

**S+B:** The "Organization Man," in other words, is dead?

**REICH:** Organizations aren't loyal; they can't be. They have to be nimble, they have to change. That means everybody in every organization will have one eye on his or her own brand, and the other eye on the organization of which he or she is a part. And the first loyalty — self-loyalty — is becoming more and more dominant, simply as a survival strategy. I'm in no way blaming anyone here; this is just simply a fact of life.

**S+B:** You accept Tom Peters's idea of "The Brand Called You"?

**REICH:** I accept that it's happening; I think that it can be quite pernicious, because it creates incentives for every-

one to push themselves, which is not only exhausting and time-consuming, but also potentially threatens our own integrity as people. If we're selling ourselves continuously — and we have to, in order to be the kind of self-promoters that succeed in this new world — what's the meaning of friendship? What's the meaning of ourselves outside of our work?

**S+B:** In this world of continual creative destruction and personal brands, how do you give people the security and predictability to go on with their lives?

**REICH:** That's the biggest question we face as a society, as a culture. We can't have extraordinary dynamism, innovation, and change in the economy and expect to have predictability and stability in our personal lives. It's not as if there are these big, giant institutions existing between us and the economy. In fact, these institutions have become tissue-thin. There is no mediation anymore. We are the economy; the economy is us.

We are now enjoying the liberation that comes with not having to be organization men and women, and that's fabulous. But there are new social consequences here of which we need to be aware, and the sale of the self and what that entails for the rest of our lives is quite sobering.

### Public Policy Choices

**S+B:** Some of the ideas you advance in *The Future of Success* to temper this unpredictability are bound to raise controversy. You advocate, for exam-

ple, guaranteed civil service jobs. Couldn't that stifle necessary economic dynamism, and even introduce inflationary pressures?

**REICH:** You picked the one suggestion that really is something we've had in the past, and I think we're going to have to have in the future. Here's why I think the public service jobs are almost unavoidable: When we have downturns in the economy — and we will, for we haven't repealed the business cycle — unemployment will build, yet we no longer have any safety net. What are we going to do? Unless we decide to pull out all the stops and lower interest rates immediately and risk turning a recession into wild inflation, we're going to have to figure out some way of providing some more, not job security, but employment security.

**S+B:** One of your other suggestions is earnings insurance, financed through a tax on large increases in individuals' earnings. That's reminiscent of recommendations made in the '60s and '70s for a guaranteed annual income.

**REICH:** No, this is really very different. The idea is that if you lose your job, we want people to get into new jobs as quickly as they can. Our current unemployment insurance system assumes that you will be unemployed for a period of time. The more likely scenario is one of extreme volatility in earnings, while expenses are going to maintain themselves. If we're going to have some degree of social tranquility and peace of mind, we need some way of buffering those swings. What

better way than earnings insurance? Rather than unemployment insurance, we simply say that if you lose your job and the next job you get pays far less, a portion of the difference will be subsidized for a period of time.

**S+B:** But in your plan, this is at the cost of a 50 percent marginal rate on your last earnings increase.

**REICH:** For a particular time. That is, you're contributing into an insurance fund if you've had a big increase, and you're taking out of the insurance fund if you've had a big drop. That's what insurance is all about. If we're concerned about volatility of earnings because we want some more stability in our lives, then let's create, instead of an unemployment insurance system, an earnings insurance system that will moderate the volatility for a certain period of time until we get back on our feet. That's hardly a radical notion. All these suggestions really are ways of preserving the dynamism of this New Economy, while at the same time making it easier for people to gain some predictability and stability in their own lives.

**S+B:** If those ideas will inflame conservatives, at least one is bound to get liberals incensed: In the book, you support education vouchers.

**REICH:** I call for "progressive vouchers" — the poorest kids get the biggest vouchers. That, to me, combines the best of all worlds. You get some competition for their dollars, and you also overcome the sorting mechanism a little bit, by which those who are left out get left out even more.

**S+B:** Given your experience in the Cabinet, and having seen from the inside what happened with health-care reform, do you think that you could take issues like the ones you are raising — an earnings tax, a tax on global capital movements — and see them actually being debated and decided honestly?

**REICH:** At the end of the book I talk about three conversations that we and most advanced societies are now having. Right now there is a conversation going on about the wonders of this New Economy — the fabulous deals, the wonderful technologies, the great jobs. There's a second conversation, best exemplified by Seattle, about global capital and the negative consequences of globalization.

And then there's this third conversation, a very personal one. "I'm having a hard time doing what I need to do at work and also doing what I need to do as a person, whether it's for my family, my friends, my spouse, my community. Things are out of balance; suburban kids are shooting other kids; there's something that worries me about the direction we're going in as a society. The economy is wonderful, but I'm not sure that our society is in the right shape."

What I'm trying to do in this book is show people that each of these conversations is really a fragment of a much more basic, larger conversation we ought to be having about how we can have the best of both worlds, how we can organize ourselves and take advantage of the New Economy, but at the same time maintain a sane and tranquil society.

There are no easy answers, and I stress that these are tough going. But you ask, "Could we have an honest discussion about earnings insurance?" I think we could, if people understood that the alternative was to build up a backlash against global capital, against free trade, against technological change.

**S+B:** Your book about your experiences in the Clinton White House, *Locked in the Cabinet*, is a funny but somewhat rueful work. Your experiences didn't dissuade you of the possibility for honest dialogue?

**REICH:** No. Quite the contrary, in fact. I'm quite optimistic when it comes to the capacity of our people to have an honest discussion about what's really going on. What do you think John McCain's candidacy was about? And the early days of Bill Bradley's candidacy? People are hungry for a genuine, no-spin set of ideas and truths. They want their leaders to tell it like it is. There is a great demand for this. Politicians continually underestimate the ability of the American public to understand what's happening to them and what the real choices are. +

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